

EXHIBIT H

Redemptions Force More Funds to Liquidate

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We're already seeing layoffs in the mutual-fund industry as a result. Fidelity, which hasn't liquidated any funds this year, has said it'll lay off 1,300 employees, or 3% of its work force, this month. A second round of job cuts is expected next year. American Century has cut 270 jobs, or 17% of its work force. Morningstar's *Katie Russel* writes: "has said cutbacks could become 'an alarming industrywide problem as redemptions reach an all-time high and fund companies are forced to scale back their resources.'"

Big disruptions aren't something fund investors should want since the cost is ultimately borne by the shareholders who don't flee and instead try to tough out the volatility. This is because, as Morningstar's Karen Dolan has explained, if a fund manager has to sell stocks at lower prices to meet redemptions, then paper losses become real ones and trading costs start racking up.

If there's a bright side it's that some amount of redemptions is manageable in the short run. There's a company called Relfow, which started in 2003, that some mutual-fund shops use. It acts as a temporary shareholder for funds experiencing redemptions so managers aren't forced to sell stocks immediately to raise cash. "We're seeing a lot of demand in the fixed-income area where there's been days of intense disruptions," says Relfow President Paul Schaeffer. "This year has been our biggest for growth, and the second half of the year has been our fastest-growing period."

Shaffer says by the end of 2008 Reflow should have 30 clients. Some current ones include Oppenheimer. If your mutual fund uses Reflow, it may be some consolation that it's employing a novel technique to better manage a fund performance. Aside from that, "there's really not too many things a manager can do," says Morningstar analyst Andrew Gogerty. Managers can opt to keep more cash on hand rather than putting it to work in the market, but then again cash on the sidelines is already contributing to illiquidity in the market. Managers can also tighten up their portfolio to focus on their highest-conviction investments and strategically sell stocks to offset any capital gains and lower year-end tax bills.

Also, some liquidations are deserved. The market is now doing the tough work of clearing itself. Allianz Global Investors, for instance, isn't weeping over the death of Allianz OCC Small Cap Value Fund, which liquidated Sept. 30 after about a year of poor performance that didn't meet internal expectations.

"Over the last 10 years there's been a huge proliferation of mutual funds and these kinds of environments cause some kind of discipline to be instilled in the market," says Horacio Valerias, chief investment officer for Oppenheimer Capital, a unit of Allianz that manages funds. "It's a cleansing-out that needs to take place."

Cash Flow Leaders & Laggards:

Top 10 funds by net inflows

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10. Warning: Retirement Disaster Ahead

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Source: *U.S. Census Bureau*.

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Silver ETFs Move Up As Gold Investors Consider QFI Options

Jump Bonds Ahead in Shows For 3th Foreign Week

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Index	Price	Chg.	% Chg.
ESDP	11116.49 ▲	0.54	0.004%
Platinum	2907.41 ▲	0.04	0.001%
GBP 400	1183.26 ▼	0.52	0.04%
Forward 2000**	703.35 ▲	1.32	0.34%
10 yr Bond	2.60 ▼	-0.06	-0.28%
EU Total Market Index	12412.30 ▲	8.65	0.07%
GBP 400	829.13 ▲	1.20	0.23%
Platinum 100	2154.45 ▼	-1.29	-0.02%
EU Transportation	4754.29 ▼	20.11	0.42%

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Fund Name	Ticker	Cash Flow YTD '05 (in billions)
Vanguard Total Stock Market	VTSAX	12.15
American Funds Fundamental Invs A	ANCFX	5.73
Eaton Vance Large-Cap Value A	ELVFX	4.81
American Funds Growth	AGTHX	4.66
Vanguard Institutional Index	VINDX	3.93
CGM Focus	CGMFX	3.65
Fairholme	FARFX	3.29
Hartford Capital Appreciation A	THAXX	2.92
Van Kampen Capital Growth A	ACGAX	2.83
GMO U.S. Quality Equity III	GQETX	2.64

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Top 10 funds by net outflows

Fund Name	Ticker	Cash Flow YTD '05 (in billions)
American Funds Washington Mutual A	AMWAX	-5.15
American Funds Invmt Co	AMVFX	-4.20
Legg Mason Value Prim	LNVTP	-3.43
Van Kampen Comstock A	ACSTX	-3.01
Fidelity Growth & Income	FGLIX	-2.75
Vanguard Windsor II	VWNSX	-2.35
Fidelity Magellan	MAGGX	-2.34
Fidelity Dividend Growth	FDDGX	-2.25
Putnam Fund for Growth & Income A	PGRWX	-2.09
Lord Abbett Mid-Cap Value A	LAVLX	-2.02

* Through 9/30/06

Source: Morningstar

Top 10 Stocks in the Last 10 Years

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